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Berkshire

FINE SPINNING ASSOCIATES, INC.

ANNUAL
REPORT
1948





AUTUMN green . . . chrysanthemum . . . storm blue and burning sumac! These are the deep-toned colors we've captured from Nature's riotous palette to help you dress your loveliest rooms for Fall. Berkshire makes its fine curtains, modern and traditional, in singing new colors, in pastels, champagne, ivory white, and white.

SEND FOR OUR BOOKLET, "Fashions in Windows." For the cleverest of the new ideas in curtains, and the sweetest of the old. Just send us your name and address on a penny postcard. Dept HG-10, Berkshire Fine Spinning Associates, Inc., 40 Worth Street, New York 13, N. Y.

BERKSHIRE ALSO MAKES FINE COMBED COTTON FABRICS FOR MEN'S, WOMEN'S AND CHILDREN'S WEAR

Berkshire
FINE CURTAINS



Berkshire

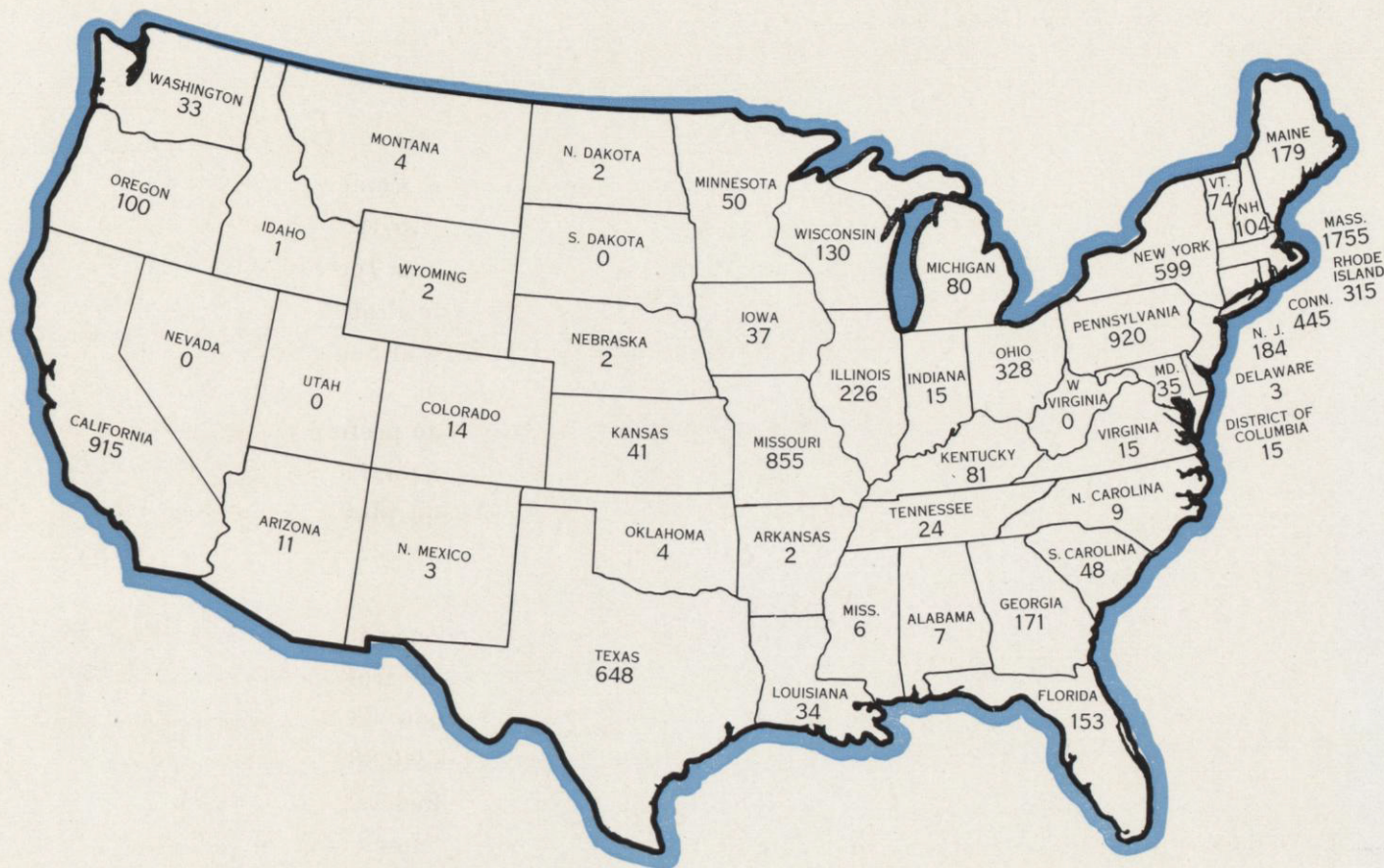
FINE SPINNING ASSOCIATES, INC.

ANNUAL REPORT

FOR THE FISCAL YEAR

1948

... DISTRIBUTION OF OUR STOCKHOLDERS AT MID-YEAR



LANDS OVERSEAS

IRELAND	1
ITALY	1
SCOTLAND	1
HAWAII	1
CANAL ZONE	2
ENGLAND	11

ANNUAL REPORT

FOR YEAR ENDED SEPTEMBER 30, 1948

TO THE STOCKHOLDERS OF
BERKSHIRE FINE SPINNING ASSOCIATES, INC.

There is presented herewith the annual report for the year ended September 30, 1948.

SALES AND PROFITS With the largest Sales Volume in the Company's history of \$69,889,757. we had Profits of \$13,157,672. after all charges, including Federal Taxes on Income of \$8,934,200., State Taxes on Income of \$815,800. and Reserve for Replacement of Machinery of \$1,200,000. The Profit after all charges amounted to \$6.75 per share on the common stock outstanding at September 30, 1948.

DIVIDENDS During the year dividends of \$19,977. were paid to preferred stockholders and \$4,512,703. to common stockholders making a total of \$4,532,680. The regular dividend of 35¢ was paid each quarter on the common plus a dollar extra in December 1947.

FINANCIAL POSITION Financially the Company has strengthened its position. During the year, the Net Worth has increased from \$32,444,473. to \$42,530,371., or \$10,085,898. and the Working Capital is now \$31,004,330. against \$22,763,942. at the beginning of the year, an increase of \$8,240,388. Tax notes have been purchased in excess of the amount of the Reserve for Federal Taxes which was \$9,191,322. Tax returns for the years 1942-1945 were finally closed with the Treasury Department and it was found that the Reserve for Federal Income Taxes contained \$381,761. more than required. This amount has been returned to Surplus.

BUILDINGS, MACHINERY AND EQUIPMENT We have continued our policy of purchasing new machinery to improve the efficiency of the plants. These purchases amounted to \$1,040,102. for the year. New machinery is on order and it is expected that considerably more will be installed in the coming year than in the past year. The Company's subsidiary, Warren Textile & Machinery Supply Co.



FINE SPINNING ASSOCIATES INC.

completed a new Machine Shop to handle repairs and replacements of machinery for the Parent Company.

DEPRECIATION Additions to the Depreciation Reserve for the year amounted to \$695,885. With the decreased purchasing power of the dollar, Depreciation Charges no longer take care of necessary replacements and, therefore, your directors voted to set aside an additional Reserve for Replacement of Plant of \$1,200,000. a year and to add this amount to the "Plant Construction and Improvement Fund". This Fund which amounted to \$5,200,000. at the end of the year is invested largely in Government Bonds.

CAPITAL STOCK At the beginning of the fiscal year there were 41,766 shares of \$5.00 dividend cumulative convertible preferred stock outstanding. Of this total, 40,615 shares were converted into common stock and the remaining 1,151 shares were redeemed March 1, 1948 at \$105. per share or a total cost to the Company of \$120,855. The number of shares of common stock was increased by 365,535 shares through the conversion of the preferred stock leaving 1,948,629 shares at September 30, 1948 which was the only stock of the Company outstanding.

EMPLOYEE RELATIONS Relations with our employees have remained satisfactory during the year. On January 5, 1948 wages were increased 10%, another paid holiday was given making a total of six and additional vacation and insurance benefits were given. Our employees now receive from the Company the following benefits: life insurance, dismemberment, hospitalization, sickness and accident, and surgical and medical fees.

Eighteen single houses and four double houses were built in the Village of Albion to help ease the housing shortage there. It is contemplated that these houses will be sold to employees on liberal terms.

GENERAL During the year there was a change from a seller's to a buyer's market. Business for the first six months was very active but slowed down materially during the latter part of the year which necessitated curtailment of operations beginning in August to avoid accumulating unduly large inventories. Since February our customers

have shown a lack of willingness to commit themselves for the purchase of large amounts of goods for future delivery and although the price of cotton has been artificially held by the Government support policy the sales prices of our goods declined severely during the last six months of the year and caused a considerable shrinkage in our profit margins. We do not expect the large profits of the past two years to continue but we believe that the Company can operate profitably in the future. We continue to sell our cloth finished and have not returned to our pre-war practice of selling largely in the grey. While we consider this policy sound, it will necessitate our having considerably larger amounts of Working Capital invested in Receivables and Inventories to serve our customers properly.

During the year, your Company embarked upon an advertising campaign to promote and expand the sale of its curtains. Full-page advertisements in color have been in many of the national magazines and in the curtain trade publications. A reproduction of one of the new color advertisements appearing currently is shown on the inside front cover of this report.

The spirit of harmony and co-operation which has prevailed among the officers and employees of the Company during the past year has been of importance in achieving efficient and profitable operations, and my appreciation of their effort and loyalty is extended to them.

November 18, 1948

John H. McMahon

President

BERKSHIRE FINE SPINNING

Consolidated

SEPTEMBER 30, 1998

ASSETS

CURRENT ASSETS

Cash	\$10,714,205.29	
Accounts Receivable (Less Reserve \$380,785.14)	3,118,997.57	
U. S. Government Securities (Estimated Market Value \$2,270,698.04)	2,275,305.58	
Inventories (Note A)		
Raw Materials	\$ 2,982,798.45	
Stock in Process	1,798,485.92	
Cloth	12,632,093.81	
Waste	207,970.34	17,621,348.52
TOTAL CURRENT ASSETS		\$33,729,856.96

OTHER ASSETS AND DEFERRED CHARGES

Investments in and Advances to Correlated and Subsidiary Companies Not Consolidated (Note B)	518,724.60	
Plant Construction, Improvement and Replacement Fund (Note C)		
Cash	40,734.64	
Bonds—U. S. Government (Estimated Market Value \$4,606,773.45)	4,670,147.15	
Bonds—Other (Estimated Market Value \$468,800.00)	489,118.21	5,200,000.00
Notes and Other Amounts Receivable	25,269.50	
Prepaid Insurance, Taxes and Other Assets	379,291.50	
Supplies Inventory, Including Fuel	162,363.42	
TOTAL OTHER ASSETS AND DEFERRED CHARGES		6,285,649.02

PLANT ASSETS (Note D)

Properties Comprising Land, Buildings, Machinery, Equip- ment and Developed Water Power	11,945,085.86	
Less: Depreciation Reserves	6,704,693.20	5,240,392.66
TOTAL ASSETS		\$45,255,898.64

The accompanying Notes to Financial Statements

NING ASSOCIATES, INC

Balance Sheet

30, 1948

LIABILITIES AND CAPITAL

CURRENT LIABILITIES

Accounts and Vouchers Payable	\$1,420,124.86
Taxes Accrued or Payable	983,683.32
Social Security and Withholding Taxes Payable	321,719.12
Provision for Federal Taxes on Income (Note E)	\$9,191,321.96
Less: U. S. Treasury Savings Notes	9,191,321.96 None
TOTAL CURRENT LIABILITIES	\$2,725,527.30

RESERVE FOR DECLINE IN INVENTORY VALUES AND OTHER CONTINGENCIES 2,400,000.00

RESERVE FOR REPLACEMENT OF PLANT (necessitated by prevailing high costs)
Beyond Amount Provided by Current Depreciation Reserves . . . 1,200,000.00

CAPITAL (Note F)

Common Stock (Without Par Value)	
Authorized 3,000,000 Shares—Issued 1,948,629 Shares	10,824,812.50
Capital Surplus	460,288.99
Earned Surplus (Since September 30, 1939)	27,645,269.85
TOTAL CAPITAL	38,930,371.34

TOTAL LIABILITIES AND CAPITAL \$45,255,898.64

tements are an integral part of this report.

Notes to Financial Statements

FOR THE YEAR ENDED SEPTEMBER 30, 1948

BASIS OF CONSOLIDATION—The Consolidated Financial Statements include the accounts of all Subsidiary Companies except Warren Textile & Machinery Supply Co. which is wholly owned, but carried in the Balance Sheet as an Investment at Cost.

NOTE (A)—INVENTORIES

Raw Materials are priced at the "lower of Cost or Market", the material content of Stock in Process at a standard established in 1933, which is less than current market, and the "lower of Cost or Market" is the basis for materials in cloth. The standard cost basis, (approximating actual costs), is used in valuing Labor and Manufacturing Burden in Stock in Process, as well as Cloth. Waste is valued at Market. The verification of the Raw Materials, Stock in Process, and Cloth included a review of the Inventory records and procedure, physical examination of quantities during the fiscal year at all Mills, and confirmation by direct correspondence of merchandise quantities in the possession of others. In pricing the Inventories, consideration has been given to obsolete, slow-moving and irregular merchandise.

NOTE (B)—INVESTMENTS

The excess of the Company's equity in the Net Assets of Warren Textile & Machinery Supply Co. over its investment therein at September 30, 1948 amounted to \$83,043.13 and represents the undistributed Net Earnings of the Subsidiary since the date of incorporation. A Balance Sheet of this Subsidiary is included in this report.

NOTE (C)—PLANT CONSTRUCTION, IMPROVEMENT AND REPLACEMENT FUND

By appropriate corporate action, there has been set aside \$5,200,000.00 for a Plant Construction, Improvement and Replacement Fund. This Fund is available for construction or acquisition of Finishing Plants, as well as other Plant Acquisitions, Improvements and Replacements.

NOTE (D)—PLANT ASSETS

Plant Assets are stated in the Balance Sheet at Depreciated Book Values at April 1, 1934, plus additions subsequent to that date at Cost. Depreciation from the previously mentioned date has been charged to Operations on the basis of the useful lives or residual values of the various items of depreciable Plant Assets. Due to the abnormally high price level, Current Depreciation allowances inadequately provide for the cost of replacements. Therefore, during the fiscal year, there has been set aside, in addition to ordinary Depreciation Reserves, \$100,000.00 per month as partial Provision for Replacement of Plant. The amount of this Reserve has been funded by an increase in the Plant Construction, Improvement and Replacement Fund from \$4,000,000.00 to \$5,200,000.00.

NOTE (E)—PROVISION FOR FEDERAL TAXES ON INCOME

The Company's Tax Returns have been inspected by the Audit Division of the Income Tax Unit for all years through September 30, 1945. Upon completion of the audits, it was ascertained that amounts reserved for Federal Taxes for the four years ended in 1945 exceeded requirements by \$381,760.83, and this amount has now been returned to Surplus. The three years ended September 30, 1948 have not been examined or reviewed, but it is our opinion that the outstanding Reserve for Taxes on Income, at September 30, 1948, adequately provides for Tax Liabilities to that date.

NOTE (F)—CAPITAL STOCK

During the year, all unconverted \$5.00 Dividend Cumulative Convertible Preferred Stock was called for redemption at \$105.00 per Share plus Accrued Dividends. At the close of the year, there was only one class of stock outstanding—Common.

PURCHASE COMMITMENTS

The Company has outstanding Cotton Commitments amounting to \$1,365,000.00, which approximate current market.

BERKSHIRE FINE SPINNING ASSOCIATES, INC.

Condensed Consolidated Statement of Income and Earned Surplus

FOR THE YEAR ENDED SEPTEMBER 30, 1948

SALES (Less Returns and Allowances)		\$69,889,757.12
Cost of Sales and Operating Expenses (Includes Depreciation \$673,032.09)		44,089,893.64
GROSS PROFIT		25,799,863.48
Selling and Administrative Expenses		1,855,180.33
PROFIT FROM OPERATIONS		23,944,683.15
Other Income		367,328.11
TOTAL		24,312,011.26
Other Deductions		204,338.96
PROFIT BEFORE INCOME TAXES AND PROVISION FOR REPLACEMENT OF PLANT		24,107,672.30
Provision for Taxes on Income		9,750,000.00
PROFIT BEFORE PROVISION FOR REPLACEMENT OF PLANT		14,357,672.30
Provision for Replacement of Plant (necessitated by prevailing high costs) Beyond Amount Provided by Current Depreciation Reserves		1,200,000.00
BALANCE OF PROFIT TRANSFERRED TO EARNED SURPLUS		13,157,672.30
Earned Surplus at Beginning of Year	\$18,638,516.82	
Plus: Amounts Reserved for Federal Income Taxes to September 30, 1945		
—Not Required	381,760.83	19,020,277.65
TOTAL		32,177,949.95
Less: Dividends Paid in Cash:		
\$5.00 Dividend Preferred Stock	19,977.50	
Common Stock @ \$2.40 per Share	4,512,702.60	4,532,680.10
EARNED SURPLUS (Since September 30, 1939) AT CLOSE OF YEAR		\$27,645,269.85

Consolidated Capital Surplus Account

SEPTEMBER 30, 1948

CAPITAL SURPLUS BALANCE, SEPTEMBER 30, 1947	468,921.49
Excess of Redemption Price over Stated Value of \$5.00	
Dividend Cumulative Convertible Preferred Stock Redeemed—1,151 Shares at \$7.50 per Share	8,632.50
CAPITAL SURPLUS BALANCE, SEPTEMBER 30, 1948	\$ 460,288.99

CERTIFICATE OF AUDITORS

We have examined the Consolidated Balance Sheet of Berkshire Fine Spinning Associates, Inc. and its subsidiaries at September 30, 1948 and the Consolidated Statements of Income, Capital and Earned Surplus for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying Consolidated Balance Sheet and related Statements of Income, Capital and Earned Surplus, with the notations thereto, fairly present the Company's consolidated financial position at September 30, 1948 and the consolidated results of its operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

COMERY, DAVISON & JACOBSON
Certified Public Accountants

Providence, R. I., October 22, 1948.


FINE SPINNING ASSOCIATES INC.

WARREN TEXTILE & MACHINERY SUPPLY CO.

Balance Sheet

SEPTEMBER 30, 1948

ASSETS

CURRENT ASSETS

Cash	\$ 14,220.86
Accounts Receivable	3,663.12
Inventories (Lower of Cost or Market)	369,233.50

TOTAL CURRENT ASSETS \$387,117.48

DEFERRED CHARGES

Prepaid Insurance and Taxes	12,850.85
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PLANT ASSETS

Properties Comprising Land, Buildings, Machinery and Equipment (At Cost)	364,709.30
Less: Depreciation Reserves	95,207.25
	269,502.05

TOTAL ASSETS \$669,470.38

LIABILITIES AND CAPITAL

CURRENT LIABILITIES

Accounts and Vouchers Payable	54,949.09
Taxes Accrued or Payable	8,797.69
Social Security and Withholding Taxes Payable	7,979.55
Provision for Federal Taxes on Income	5,763.87

TOTAL CURRENT LIABILITIES 77,490.20

DUE BERKSHIRE FINE SPINNING ASSOCIATES, INC. 478,937.05

CAPITAL

Common Stock (300 Shares—No Par Value)	30,000.00
Earned Surplus, September 30, 1947	\$63,917.24
Profit for Year Transferred to Surplus	19,125.89
	83,043.13

TOTAL CAPITAL 113,043.13

TOTAL LIABILITIES AND CAPITAL \$669,470.38

CERTIFICATE OF AUDITORS

We have examined the Balance Sheet of Warren Textile & Machinery Supply Co. at September 30, 1948 and the Statement of Income and Surplus for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

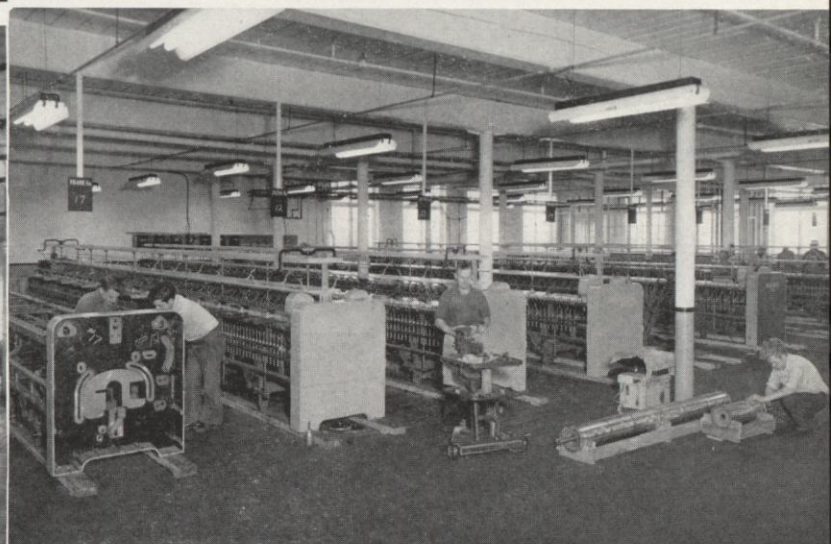
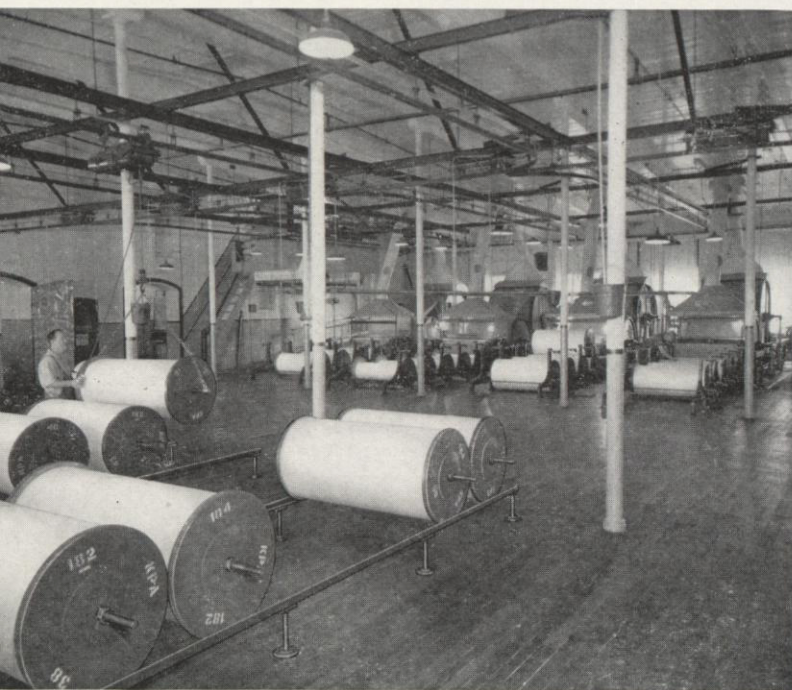
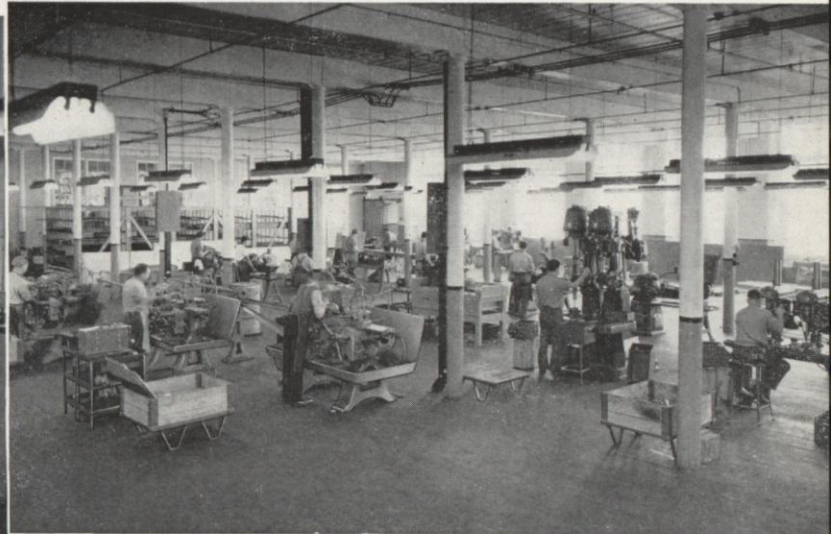
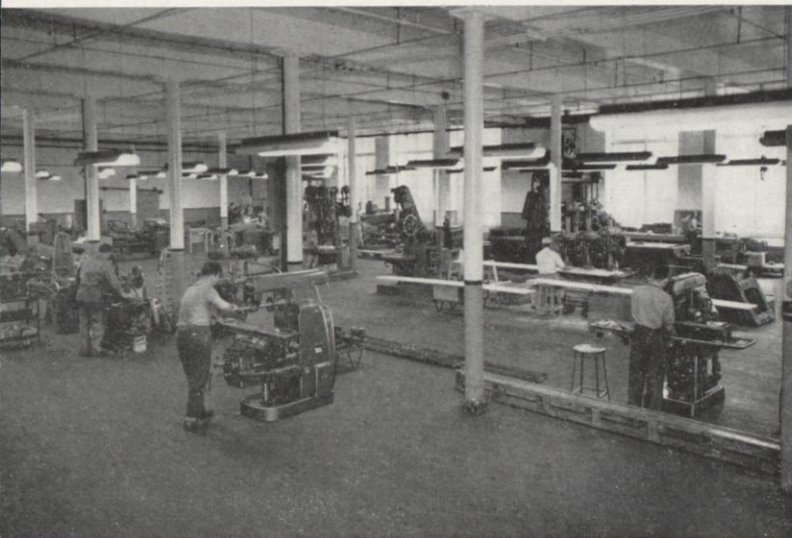
In our opinion, the accompanying Balance Sheet and related Statement of Income and Surplus fairly present the position of Warren Textile & Machinery Supply Co. at September 30, 1948 and the results of its operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

COMERY, DAVISON & JACOBSON
Certified Public Accountants

Providence, R. I., October 22, 1948.

Berkshire

NEW
FACILITIES
PLANT
IMPROVEMENTS



OWNERS

The Company had 9,780 stockholders on September 30, 1948.
These stockholders were located in forty-four of the forty-eight states
and in six foreign countries.

DIRECTORS

JAMES C. BRADY
JONATHAN CHACE
*MALCOLM G. CHACE
MALCOLM G. CHACE, JR.
LINSLEY V. DODGE
MANLIO FROVA
ARTHUR INGRAHAM, JR.
THOMAS J. KENNEDY
W. R. L. MCBEE
*JOHN H. McMAHON

IRWIN L. MOORE
HENRY S. NEWCOMBE
WILLIAM A. O'HEARN
WILLIAM C. PLUNKETT
*GIBBS W. SHERRILL
F. RUSSELL SMITH
THOMAS F. TANSEY
GEORGE E. WESTBERG
AVERY K. WHITE
FREDERICK C. WILLIAMS

A. N. WINSLOW, JR.

*Executive Committee

OFFICERS

<i>President</i>	JOHN H. McMAHON
<i>Treasurer and Vice President</i>	MALCOLM G. CHACE, JR.
<i>Vice President</i>	LINSLEY V. DODGE
<i>Vice President</i>	THOMAS J. KENNEDY
<i>Vice President</i>	THOMAS F. TANSEY
<i>Vice President</i>	GEORGE E. WESTBERG
<i>Vice President</i>	AVERY K. WHITE
<i>Assistant Treasurer</i>	EDWARD H. ARNOLD
<i>Assistant Treasurer</i>	HENRY S. NEWCOMBE
<i>Clerk</i>	GIBBS W. SHERRILL

EXECUTIVE OFFICES

TURKS HEAD BUILDING, PROVIDENCE, R. I.

SALES OFFICES

40 WORTH STREET, NEW YORK, N. Y.

261 FIFTH AVENUE, NEW YORK, N. Y.

PLANT LOCATIONS

MASSACHUSETTS

ADAMS • NORTH ADAMS • HOLYOKE • FALL RIVER

RHODE ISLAND

ALBION • ANTHONY • WARREN

VERMONT

BRATTLEBORO

CURTAIN FACTORIES

AT WARREN, R. I., AND FALL RIVER, MASS.

LABORATORIES AND MACHINE SHOPS

AT WARREN, RHODE ISLAND

